



ANNUAL REPORT

For the Year Ended
December 31, 1940



424 NORTH NINETEENTH STREET
PHILADELPHIA, PA.

OFFICE OF THE PRESIDENT

*To the Stockholders of
American Stores Company:*

This report covers the operations of your Company for the year ended December 31, 1940.

Sales for the year 1940 amounted to \$124,838,734., as compared with \$114,824,009. for the year 1939, an increase of \$10,014,725., or approximately 8.7%. Of the total increase in sales \$7,780,674. was obtained in the first six months and \$2,234,051. in the second half of the year when compared with similar periods in 1939. The strike of store employees during October and November affected the upward volume trend in the second half of the year. For a period covering twenty-six business days, 1,295 stores in zones 1 and 2, representing the metropolitan area of Philadelphia, were closed.

Net income, after provision for Federal and State income taxes, amounted to \$989,602., or 76c per share, as compared with \$1,153,658., or 88c per share for the previous year. The lower profits during the year 1940 may be attributed to the heavy loss in sales volume during the strike period, together with the carrying cost of the unused facilities and the expenses incident to that period. This interruption, coupled with higher costs, expenses and taxes, prevented the Company from earning a satisfactory return upon the invested capital.

The Company continued its policy of extending and improving its distributing facilities. In 1940, expenditures totalling \$1,905,573. were made for buildings, machinery, delivery equipment and store fixtures, as compared with \$1,713,329. for the preceding year. The higher expenditures in 1940 include the cost of construction of a modern warehouse at South Kearny, New Jersey. Depreciation amounting to \$1,066,523. is charged against operations during the year, as compared with \$1,010,309. for the year 1939.

At December 31, 1940, the number of retail stores in operation was 2,157, as compared with 2,272 at the end of the preceding year. During the year 229 stores were closed and 114 stores were opened, of which 109 were large self-service markets, most of which replaced neighborhood groups of service stores. In addition, 25 service stores were converted into self-service units at the same locations.

During the year we paid three dividends of 25c each per share. A dividend of 25c per share was also declared on January 29th, payable March 27, 1941, to stockholders of record on February 18, 1941.

Sales showed an increase of 2.9% during the month of January, 1941, and so far in February an increase of approximately 7% over similar periods in 1940. In view of the expansion in industry and payrolls and the anticipated increase in consumer purchasing, the volume of sales should continue to improve.

Respectfully submitted,

WILLIAM PARK,
President.

February 26, 1941

AMERICAN STORES COMPANY

and Subsidiary Companies

Consolidated Balance Sheet

December 31, 1940

ASSETS	
Current Assets	
Cash.....	\$ 3,211,436.28
Marketable Securities—at cost.....	1,949,445.82
	(Market Value \$2,063,361)
Accounts Receivable:	
Due from Relief Agencies.....	\$ 104,755.81
Other Accounts Receivable.....	<u>349,196.37</u>
	453,952.18
Inventories—at lower of cost or market.....	14,937,534.48
	<u>Total Current Assets.....</u>
	20,552,368.76
Loans to Employees—with common stock of company as collateral —less reserve.....	82,845.44
Miscellaneous Investments—at written down value.....	85,099.41
Fixed Assets	
Land, Buildings, Machinery, Equipment, Fixtures, etc.—at cost.....	23,409,587.76
Less: Reserve for Depreciation.....	<u>10,815,254.78</u>
	12,594,332.98
Unamortized Cost of Leasehold Improvements.....	423,434.25
Goodwill.....	1.00
Deferred Charges	
Prepaid Insurance, Taxes, etc.....	<u>234,303.54</u>
	<u>\$ 33,972,385.38</u>

LIABILITIES AND CAPITAL

Current Liabilities	
Accounts Payable and Accrued Charges.....	\$ 3,441,975.99
Reserve for Federal and State Taxes.....	<u>735,523.13</u>
	Total Current Liabilities.....
	4,177,499.12
Reserve for Contingencies.....	337,957.68
Capital and Surplus	
Common Stock—no par value	
1,500,000 shares authorized	
1,400,000 shares issued.....	19,374,156.46
Earned Surplus.....	<u>13,602,881.43</u>
	32,977,037.89
Less: Treasury Stock—98,680 shares.....	<u>3,520,109.31</u>
	29,456,928.58
	<u>\$ 33,972,385.38</u>

AMERICAN STORES COMPANY

and Subsidiary Companies

Statement of Consolidated Income and Surplus

for the Year Ended December 31, 1940

INCOME ACCOUNT

Sales		\$124,838,734.89
Cost of Merchandise Sold.....		<u>103,298,309.56</u>
Gross Profit.....		21,540,425.33
Wages, Rents, Advertising, Operating and Administrative Expenses	\$ 18,660,962.37	
Social Security Taxes	653,023.63	
Depreciation.....	<u>1,066,523.00</u>	20,380,509.00
Profit from Operations		1,159,916.33
Income from Investments, etc.		<u>98,685.80</u>
Profit before Income Taxes.....		1,258,602.13
Provision for Federal and State Income Taxes (none for Federal excess profits tax as no liability is anticipated).....		<u>269,000.00</u>
Net Income.....		<u><u>\$ 989,602.13</u></u>

EARNED SURPLUS

Balance—December 30, 1939	\$ 13,589,269.30
Net Income for year 1940	<u>989,602.13</u>
	14,578,871.43
Dividends Paid—75¢ per Share	<u>975,990.00</u>
Balance—December 31, 1940.....	<u><u>\$ 13,602,881.43</u></u>

BARROW, WADE GUTHRIE & CO.

ACCOUNTANTS AND AUDITORS

GIRARD TRUST BUILDING

PHILADELPHIA, PA.

*To the Board of Directors of the
American Stores Company:*

We have examined the consolidated balance sheet of the American Stores Company and its subsidiary companies as of December 31, 1940, and the statement of consolidated income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated income and surplus present fairly the consolidated position of the American Stores Company and its subsidiary companies at December 31, 1940, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

BARROW, WADE, GUTHRIE & CO.,

Auditors.

Philadelphia, Pa.

February 25, 1941

American Stores Company

OFFICERS

<i>President</i>	William Park
<i>Vice-President</i>	Robert H. Crawford
<i>Vice-President and General Manager</i>	James K. Robinson
<i>Vice-President and Treasurer</i>	Wm. M. M. Robinson
<i>Vice-President and Secretary</i>	E. J. Flanigan
<i>Vice-President</i>	Fred W. Johnson
<i>Assistant Treasurer</i>	Wm. Gould
<i>Assistant Secretary</i>	J. V. Keers

DIRECTORS

Samuel Robinson	William Park
Robert H. Crawford	James K. Robinson
John Eagleson	Wm. M. M. Robinson
E. J. Flanigan	Joseph Gilfillan
John M. Hancock	Wm. Gould